

## Governments plan on banking sector

#### Why in news?

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Union government is working with new reforms in Indian banking sector to address NPA related issues.

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#### What are the plans on resolution of NPAs?

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• Union government has consideration in the resolution of NPAs and treatment accorded to entrepreneurs in industry.

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• There are various diagnostics being analysed on a case-by-case basis on the reasons of rising NPAs.

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 By determining whether NPAs are emerging because of malafide intentions or due to general economic slow-down, the treatment would differ accordingly.

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 Investigating agencies are also mandated to hold the responsibility of the board of directors of banks, chartered accountants, auditors and legal experts associated with the industry where NPAs are rising.

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# What is plan on PSBs recapitalization?

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- Centre's recapitalisation plan envisaged few reforms, the reforms would be differentiated amongst public sector banks (PSBs).
- PSBs that have managed their balance sheet well will have front-loading of recapitalisation bonds.

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• The other banks will receive government support based on their resolve to undertake reforms in a time-bound manner.

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• These reforms will be measured in terms of capacity of banks to become "slim and trim" and follow better focused business strategies, including sale of non-core assets.

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• The Government is also considering governance reforms for all PSBs, which aims to ensure that money is properly utilised to strengthen the balance sheet of PSBs.

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### What are the other plans on banking?

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• Finance commissions are set up regularly and a permanent fiscal body for setting GST rates has been established.

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• The Government is also considering a permanent banking commission to address concerns.

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 There are also plans for periodical consideration of well-represented banking committees to provide a strategic road map for reforms.

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**Source: Business Line** 

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